Section 2.3: Graduated Income Tax

Objective: Determine state taxes on a graduated income tax basis.

some states have a <u>graduated income tax</u>, which is increases the tax rate at different levels of income. The tax increases as the income increases.

Tax withheld per pay period:

Taxes withheld - Annual Tax Withheld

Perpayperiod - # of payperiods per year

Review:

# of Pay Periods per	Pay Period
Year	
12	Monthly
24	semi-montly
52	Weekly
96	Biweekly
	0

Examples:

Figure 2.3

1 16 di C 2.3			
State Tax			
Taxable Wages	Tax Rate		
First \$1,000	1.5%		
Next \$2,000	3.0%		
Next \$2,000	4.5%		
Over \$5,000	5.0%		
Exemptions			
Single	\$2,000		
Married	\$4,000		
Each	\$2,000		
Dependent			

1) Louis Main's annual salary as a police officer is \$34,500. She receives her pay semimonthly, or twice a month. Her exemptions total \$2,000. Use Figure 2.3 to determine how much her employer deducts for state income tax from each of her semimonthly paychecks.

1 2,000 exemption amt.

2 34500-2000=32,500 taxable wages

3 1000 (.DIS)= 15 2000 (0.03)= 60 2000 (0.045)= 490 (32,500-5000)(0.05)= 1375

15+60+90+1375=81540 annual SIT

2) Louis got a raise and her annual salary is now \$42,600. She also had another child so that her exemptions total \$4,000. Also, she is paid monthly now. Use Figure 2.3 to determine how much her employer should deduct for 'SIT' from each paycheck. (4001) ove motion cont

Examples:

pΙ	es:		(1) TOOU exemption ant.
	Figure 2.3		· · · · · · · · · · · · · · · · · · ·
State Tax		ıx	(2) 42,600-4000=838,600 taxable wages
	Taxable Wages	Tax Rate	1 3 Ta, 600 - FOW - 38,600 TEXABLE
	First \$1,000	1.5%	l wages
	Next \$2,000	3.0%	
	Next \$2,000	4.5%	l _ N
	Over \$5,000	5.0%	3) 1000 (0.015)=\$15 2000 (0.03)=\$60
Exemptions		ns	N. I
	Single	\$2,000	= 2000 (0.03) = 460
	Married	\$4,000	
	Each	\$2,000	2002 (0 4/10) 1002
	Dependent		J 2000 (0.045)="40]
			2000 (0.045)=\$90, (38,600-5000)(0.05)=\$1680
			15+60+90+1680= 1845 annual
)	1845	# 10	SIT

4 1845 = \$153.75 monthly SIT

3) Lydia Robin's annual salary from Dresler & Everhard is \$67.500. She is married, has one dependent and is paid monthly. Use figure 2.3 to find the tax withheld per pay period.

Examples:

Figure 2.3

rigare 2.5			
State Tax			
Taxable Wages	Tax Rate		
First \$1,000	1.5%		
Next \$2,000	3.0%		
Next \$2,000	4.5%		
Over \$5,000	5.0%		
Exemptions			
Single	\$2,000		
Married	\$4,000		
Each	\$2,000		
Dependent			



4) Eddie Black is single and receives his pay biweekly, or every 2 weeks. His annual salary as a tailor for Whyte and Broom is \$21,350. Use figure 2.3 to find the tax withheld per pay period.

Examples:

oles:	• .	0°2000 exemptions	
Figure 2.3		_	
State Tax		19,350-2000=19,350 taxable wages	
Taxable Wages	Tax Rate	2 21,550-2000= 19,350 1000= 10,350	
First \$1,000	1.5%	, H	
Next \$2,000	3.0%	3 1000 (.015) \$ 15	
Next \$2,000	4.5%		
Over \$5,000	5.0%	2000 (.03)=\$60 2000 (.045)=\$90	
Exemptions		2000 (.03) - ,00	
Single	\$2,000	2000 (MG) = G N	
Married	\$4,000		
Each	\$2,000	1/100	
Dependent		19350-5000\(\n5)=717.5D	
	•		
Each Dependent \$2,000 (19350 - 5000) $(.05) = 717.50$ (5+60+90+717.50= 883.50 annual			
		× 1- 1	
(A) GC		2 [(
(4)88	a.50	8	
<u> </u>		-32 G/I	
•	26	- 33.17 hi-weekly STT	
		= 33.94 bi-weekly SIT	
		9	

- 5) Annie works as a dental assistant and has an annual gross pay of \$26,470. Her exemptions total \$2,200. The state tax on the first \$4500 is 1.8% and on amounts over \$4500 is 3.1%.
- a). Find the state tax withheld.

02,200 exemption ant. 226,470-2,200=24,270 taxable wages

- 3 4500 (0.018)= 81 (24270 -4500)(0.031) = 612.87 81+612.87=\$693.87 annual SIT
 - b) If she gets paid weekly, how much 'SIT' is withheld from each paycheck?

2	3	Notes	Business	Math	notehod	٦k
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September 09, 2016

Assignment:

p. 136 #3-6, 8-12 (#7 bonus) MUST SHOW ALL WORK!!!